

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CHRISTIAN COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on governmental activities, business-type activities, and each major fund.

Financial Condition:

The fiscal court had net assets of \$14,785,868 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,937,185 in its governmental activities as of June 30, 2004, with total net assets of \$14,566,126. In its enterprise fund, total net cash and cash equivalents were \$122,918 with total net assets of \$219,742. The fiscal court had total debt principal as of June 30, 2004 of \$24,568,916 with \$1,093,488 due within the next year.

Deposits:

As of June 30, 2004, the fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Christian County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Christian County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Christian County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Christian County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
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Members of the Christian County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2005, on our consideration of Christian County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 26, 2005

CHRISTIAN COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Steve Tribble	County Judge/Executive
William H. Bruce	Magistrate
Mark E. Cansler	Magistrate
James R. Carr	Magistrate
Lewis Everett Croft	Magistrate
Myron Dossett	Magistrate
James E. Fleming	Magistrate
Cleatus Edwin Long	Magistrate
Howard R. Pettus	Magistrate

Other Elected Officials:

J. Michael Foster	County Attorney
Lewis L. Leavell, Jr.	Jailer
Michael A. Kem	County Clerk
Gary Haddock	Circuit Court Clerk
William E. Gloyd	Sheriff
Mills Foster	Property Valuation Administrator
Dorris L. Lamb	Coroner

Appointed Personnel:

Frank Mason	County Treasurer
Nita K. Leavell	Finance Officer

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EXECUTIVE OFFICES

CHRISTIAN COUNTY

STEVE TRIBBLE
COUNTY JUDGE EXECUTIVE

515 WEBER STREET
HOPKINSVILLE, KENTUCKY 42240

TELEPHONE
270-887-4100
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270-885-7501

Management's Discussion and Analysis June 30, 2004

The financial management of Christian County, Kentucky offers readers of Christian County's financial statements this narrative overview and analysis of the financial activities of Christian County for the fiscal year ended June 30, 2004.

Financial Highlights

- Christian County had net assets of \$14,785,868 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,937,185 in the governmental activities as of June 30, 2004, with total net assets of \$14,566,126. In the enterprise fund, cash and cash equivalents were \$122,918 with total assets of \$219,742. Total debt for governmental activities principal as of June 30, 2004 was \$24,568,916 with \$1,093,488 due within one year.
- The governmental activities' total net assets increased by \$1,637,604 from the prior year. This increase is primarily due to capital assets.
- At the close of the current fiscal year, Christian County governmental funds reported current assets of \$4,438,441. Of this amount, \$3,942,492 is available for spending at the government's discretion (unreserved fund balance).
- Christian County's total indebtedness at the close of fiscal year June 30, 2004 was \$24,568,916, of which \$23,475,428 was long-term debt (due after 1 year) and \$1,093,488 was short-term debt (to be paid within 1 year). Debt additions were \$374,769, and debt reductions were \$1,118,569 for a net decrease of \$743,800 for the year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Christian County's basic financial statements. Christian County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Christian County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Christian County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Christian County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Christian County's governmental activities include general government, protection to persons and property, general health and sanitation, roads, recreation and culture, social services, airports, debt service, and capital projects. Christian County has one business type activity—Jail Canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Christian County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Christian County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Governmental Funds (Continued)

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Christian County maintains (9) nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund
- Revolving Loan Fund
- E-911 Fee Fund
- Industrial Authority Revolving Loan Fund
- Christian County Public Courthouse Corporation
- Health Insurance Fund

Christian County adopts an annual appropriated budget for its major governmental funds except for the Public Courthouse Corporation Fund and the Industrial Authority Revolving Loan Fund, which was not budgeted by the fiscal court. A budgetary comparison statement has been provided for each of the budgeted funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Christian County's Net Assets

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current and other assets	\$ 4,523,628	\$ 4,937,185	\$ 91,925	\$ 122,918	\$ 4,615,553	\$ 5,060,103
Net Capital Assets	33,641,663	34,197,857	86,525	96,824	33,728,188	34,294,681
Total Assets	<u>\$ 38,165,291</u>	<u>\$ 39,135,042</u>	<u>\$ 178,450</u>	<u>\$ 219,742</u>	<u>\$ 38,343,741</u>	<u>\$ 39,354,784</u>
Liabilities						
Current and other Liabilities	\$ 1,097,575	\$ 1,093,488		\$	\$ 1,097,575	\$ 1,093,488
Long-term Liabilities	24,215,141	23,475,428			24,215,141	23,475,428
Total Liabilities	<u>\$ 25,312,716</u>	<u>\$ 24,568,916</u>	<u>\$</u>	<u>\$</u>	<u>\$ 25,312,716</u>	<u>\$ 24,568,916</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$ 8,253,000	\$ 9,628,941	\$ 86,525	\$ 96,824	\$ 8,339,525	\$ 9,725,765
Unrestricted	4,599,575	4,937,185	91,925	122,918	4,691,500	5,060,103
Total Net Assets	<u>\$ 12,852,575</u>	<u>\$ 14,566,126</u>	<u>\$ 178,450</u>	<u>\$ 219,742</u>	<u>\$ 13,031,025</u>	<u>\$ 14,785,868</u>

Changes in Net Assets.

Governmental Activities. Christian County's net assets increased by \$1,637,604 in fiscal year 2004. Key elements of this are as follows:

- Current assets increased \$413,557, due to unexpected miscellaneous revenues.
- Investment in capital assets and infrastructure, net of related debt increased \$1,375,941.
- Current and long-term liabilities decreased by \$743,800.
- General revenues were \$5,400,616 and total revenues were \$14,861,728 as reflected in the Statement of Activities
- Expenditures totaled \$13,244,124 as reflected in the Statement of Activities.

Business-type Activities. Christian County's net assets increased by \$41,292 in fiscal year 2004. Key elements are as follows:

- Current assets and cash increased by \$30,993.
- Investment in capital assets increased \$10,299.
- Total revenue was \$545,722 as reflected in the Statement of Activities.
- Expenditures totaled \$504,430 as reflected in the Statement of Activities.

**Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds

**Table 2
Christian County's Comparison
of General Revenue by Source and
Program Expenses by Function**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Program Revenues						
Charges for						
Services	\$ 5,873,836	\$ 4,381,971	\$ 592,188	\$ 545,605	\$ 6,466,024	\$ 4,927,576
Operating						
Grants and						
Contributions	2,678,357	3,073,457			2,678,357	3,073,457
Capital Grants						
and						
Contributions	1,649,861	2,005,684			1,649,861	2,005,684
General Revenues						
Taxes	2,960,162	3,391,998			2,960,162	3,391,998
Miscellaneous						
and Other	1,261,426	2,008,618	138	117	1,261,564	2,008,735
Total Revenue	14,423,642	14,861,728	592,326	545,722	15,015,968	15,407,450
Expenses						
General						
Government	4,860,590	4,590,390			4,860,590	4,590,390
Protection to						
Persons and						
Property	4,294,939	4,615,525			4,294,939	4,615,525
General Health						
and Sanitation	182,403	191,253			182,403	191,253
Social Services	93,658	89,852			93,658	89,852
Recreation and						
Culture	96,494	166,910			96,494	166,910
Roads	1,764,087	1,409,025			1,764,087	1,409,025
Airports	85,511	28,250			85,511	28,250
Debt Service	1,125,287	1,261,715			1,125,287	1,261,715
Capital Projects	677,041	871,204			677,041	871,204
Jail Canteen		0	595,937	504,430	595,937	504,430
Total Expenses	13,180,010	13,224,124	595,937	504,430	13,775,947	13,728,554
Change In Net						
Assets	1,243,632	1,637,604	(3,611)	41,292	1,240,021	1,678,896
Net Assets -						
Beginning	11,684,890	12,928,522	182,061	178,450	11,866,951	13,106,972
Net Assets -						
Ending	\$12,928,522	\$14,566,126	\$ 178,450	\$ 219,742	\$13,106,972	\$14,785,868

**Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview. As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$4,438,441. Approximately 89% (\$3,942,492) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$495,949) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

As noted earlier, the County has (9) nine major governmental funds.

1. The General Fund is the chief operating fund of Christian County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$1,555,381. The County received \$3,475,656 in real and personal property, motor vehicle, and other taxes for approximately 62% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 38% of revenues. There was a significant budget variance in General Fund revenues. The county expected to receive federal grants, but they were not received.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had an \$11,096 fund balance at June 30, 2004. The fiscal year 2004 expenditures for the Road Fund were \$2,160,451.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a balance at June 30, 2004 of \$234,994. The Jail Fund received \$3,360,602 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$426,000 to the jail operations.
4. The Local Government Economic Assistance Fund had a balance of \$42,159 as of June 30, 2004. These funds are held for economic development.
5. The Revolving Loan Fund had a balance of \$527,373. These funds are used to make loans to local businesses.
6. The E-911 Fee Fund had a fund balance of \$1,007,940. These funds are used for 911 services.
7. The Industrial Authority Revolving Loan Fund had a fund balance of \$537,690 consisting of \$38,946 in cash and \$498,744 in notes receivable, as of June 30, 2004. These funds are held for loans to local businesses.
8. The Christian County Public Courthouse Corporation Fund had a fund balance of \$321,420 as of June 30, 2004.
9. The Health Insurance Fund had a fund balance of \$510,845 as of June 30, 2004.

Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Financial Analysis of the County's Funds (Continued)

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Christian County has (1) one enterprise-type proprietary fund, which is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2004 fiscal year, amounted to \$122,918 and total assets were \$219,742.

Capital Assets and Debt Administration

Capital Assets. Christian County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amount to \$34,294,681 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvement.

Major capital asset events during the 2004 fiscal year included the renovation of the Sheriff's Department, road operations, and the purchase of several vehicles.

Additional information about the County's capital assets can be found in Note 4 of this report.

Table 3
Christian County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Infrastructure						
Assets	\$ 2,572,053	\$ 3,329,103	\$	\$	\$ 2,572,053	\$ 3,329,103
Land	2,282,972	2,263,092			2,282,972	2,263,092
Construction						
In Progress		367,345				367,345
Buildings	27,394,383	27,000,574			27,394,383	27,000,574
Furniture and						
Fixtures	281,260	229,140			281,260	229,140
Land						
Improvements	12,322	67,537			12,322	67,537
Vehicles and						
Equipment	1,098,673	941,066	86,525	96,824	1,185,198	1,037,890
Total Net						
Capital Assets	\$ 33,641,663	\$ 34,197,857	\$ 86,525	\$ 96,824	\$ 33,728,188	\$ 34,294,681

**Christian County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Debt Administration (Continued)

Long-Term Debt. At the end of the 2004 fiscal year, Christian County had total bonded debt outstanding of \$21,235,000 from General Obligation Bonds. The County had financing agreements totaling \$3,333,916.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, will have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Christian County.

Requests For Information

This financial report is designed to provide a general overview of Christian County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to the Christian County Treasurer, Frank Mason, 521 Weber Street, Hopkinsville, KY, 42240.

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,438,441	\$ 122,918	\$ 4,561,359
Notes Receivable Due Within One Year	81,477		81,477
Total Current Assets	<u>4,519,918</u>	<u>122,918</u>	<u>4,642,836</u>
Noncurrent Assets:			
Notes Receivable Due In More Than One Year	417,267		417,267
Capital Assets - Net of Accumulated Depreciation			
Land	2,263,092		2,263,092
Land Improvements	67,537		67,537
Construction in Progress	367,345		367,345
Buildings	27,000,574		27,000,574
Furniture and Office Equipment	229,140		229,140
Vehicles and Equipment	941,066	96,824	1,037,890
Infrastructure Assets - Net of Depreciation	<u>3,329,103</u>		<u>3,329,103</u>
Total Noncurrent Assets	<u>34,615,124</u>	<u>96,824</u>	<u>34,711,948</u>
Total Assets	<u>39,135,042</u>	<u>219,742</u>	<u>39,354,784</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	840,000		840,000
Financing Obligations Payable	253,488		253,488
Total Current Liabilities	<u>1,093,488</u>		<u>1,093,488</u>
Noncurrent Liabilities:			
Bonds Payable	20,395,000		20,395,000
Financing Obligations Payable	3,080,428		3,080,428
Total Noncurrent Liabilities	<u>23,475,428</u>		<u>23,475,428</u>
Total Liabilities	<u>24,568,916</u>		<u>24,568,916</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,628,941	96,824	9,725,765
Unrestricted	4,937,185	122,918	5,060,103
Total Net Assets	<u>\$ 14,566,126</u>	<u>\$ 219,742</u>	<u>\$ 14,785,868</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 4,590,390	\$ 270,187	\$ 2,482,070	\$ 5,125
Protection to Persons and Property	4,615,525	4,073,627	396,452	
General Health and Sanitation	191,253	38,157		
Social Services	89,852			
Recreation and Culture	166,910			
Roads	1,409,025		194,935	2,000,559
Airports	28,250			
Interest On Long-term Debt	1,261,715			
Capital Projects	871,204			
Total Governmental Activities	13,224,124	4,381,971	3,073,457	2,005,684
Business-type Activities:				
Jail Canteen	504,430	545,605		
Total Business-type Activities	504,430	545,605		
Total	\$ 13,728,554	\$ 4,927,576	\$ 3,073,457	\$ 2,005,684

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

E-911 Fee

In Lieu of Tax

Sheriff/Clerk 25% Account

Miscellaneous Revenues

Telephone Commissions

Reimbursements

Interest Received

Financing Obligation Payments Made By Sheri

Capital Assets Purchased By County Clerk

Gain on Capital Assets Traded

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (1,833,008)		\$ (1,833,008)
(145,446)		(145,446)
(153,096)		(153,096)
(89,852)		(89,852)
(166,910)		(166,910)
786,469		786,469
(28,250)		(28,250)
(1,261,715)		(1,261,715)
(871,204)		(871,204)
(3,763,012)		(3,763,012)
	41,175	41,175
	41,175	41,175
\$ (3,763,012)	\$ 41,175	\$ (3,721,837)
2,191,565		2,191,565
355,534		355,534
248,293		248,293
596,786		596,786
332,137		332,137
152,478		152,478
363,713		363,713
741,856		741,856
181,873		181,873
102,208		102,208
49,820	117	49,937
71,354		71,354
12,982		12,982
17		17
5,400,616	117	5,400,733
1,637,604	41,292	1,678,896
12,928,522	178,450	13,106,972
\$ 14,566,126	\$ 219,742	\$ 14,785,868

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Revolving Loan Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,743,668	\$ 11,096	\$ 234,994	\$ 42,159	\$ 527,373
Total Assets	<u>\$ 1,743,668</u>	<u>\$ 11,096</u>	<u>\$ 234,994</u>	<u>\$ 42,159</u>	<u>\$ 527,373</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 188,287	\$ 35,740	\$ 257,611	\$ 6,533	\$
Unreserved:					
General Fund	1,555,381				
Special Revenue Funds		(24,644)	(22,617)	35,626	527,373
Debt Service Fund					
Total Fund Balances	<u>\$ 1,743,668</u>	<u>\$ 11,096</u>	<u>\$ 234,994</u>	<u>\$ 42,159</u>	<u>\$ 527,373</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

E-911 Fee Fund	Industrial Authority Revolving Loan Fund	Public Courthouse Corporation Fund	Health Insurance Fund	Total Governmental Funds
\$ 1,007,940	\$ 38,946	\$ 321,420	\$ 510,845	\$ 4,438,441
<u>\$ 1,007,940</u>	<u>\$ 38,946</u>	<u>\$ 321,420</u>	<u>\$ 510,845</u>	<u>\$ 4,438,441</u>
\$ 7,778	\$	\$	\$	\$ 495,949
				1,555,381
1,000,162	38,946		510,845	2,065,691
		321,420		321,420
<u>\$ 1,007,940</u>	<u>\$ 38,946</u>	<u>\$ 321,420</u>	<u>\$ 510,845</u>	<u>\$ 4,438,441</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 4,438,441
Notes Receivable	498,744
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	38,963,158
Accumulated Depreciation	(4,765,301)
Long- term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Due Within One Year - Bonds and Financing Obligations Principal Payments	(1,093,488)
Due in More Than One Year - Bonds and Financing Obligations Principal Payments	<u>(23,475,428)</u>
Net Assets of Governmental Activities	<u>\$ 14,566,126</u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,323,178	\$	\$	\$
In Lieu Tax Payments	152,478			
Excess Fees	363,713			
Licenses and Permits	76,097			
Intergovernmental	1,253,165	1,946,378	3,360,602	254,241
Charges for Services	206,701		1,063,052	
Miscellaneous	219,533	31,281	214,593	
Interest	20,464	1,869	1,198	130
Total Revenues	<u>5,615,329</u>	<u>1,979,528</u>	<u>4,639,445</u>	<u>254,371</u>
EXPENDITURES				
General Government	1,594,739			7,125
Protection to Persons and Property	594,596		3,502,692	
General Health and Sanitation	176,274			
Social Services	67,777			
Recreation and Culture	163,167			
Roads		1,846,047		227,777
Airports	28,250			
Debt Service	19,272		751,619	
Capital Projects	1,163,343	200,115		
Administration	1,011,244	114,289	368,457	
Total Expenditures	<u>4,818,662</u>	<u>2,160,451</u>	<u>4,622,768</u>	<u>234,902</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>796,667</u>	<u>(180,923)</u>	<u>16,677</u>	<u>19,469</u>
Other Financing Sources (Uses)				
Financing Agreement Proceeds	374,769			
Transfers from Other Funds		308,000	426,000	
Transfers to Other Funds	(1,027,034)	(128,686)	(511,119)	
Total Other Financing Sources (Uses)	<u>(652,265)</u>	<u>179,314</u>	<u>(85,119)</u>	
Net Change in Fund Balances	144,402	(1,609)	(68,442)	19,469
Fund Balances - Beginning (Restated)	1,599,266	12,705	303,436	22,690
Fund Balances - Ending	<u>\$ 1,743,668</u>	<u>\$ 11,096</u>	<u>\$ 234,994</u>	<u>\$ 42,159</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

	Revolving Loan Fund	E-911 Fee Fund	Industrial Authority Revolving Loan Fund	Public Courthouse Corporation Fund
REVENUES				
Taxes	\$	\$ 332,137	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				1,377,031
Charges for Services				
Miscellaneous	30,094		16,120	
Interest	11,832	11,285	6	1,922
Total Revenues	<u>41,926</u>	<u>343,422</u>	<u>16,126</u>	<u>1,378,953</u>
EXPENDITURES				
General Government	415,000		105	
Protection to Persons and Property		393,032		
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Airports				
Debt Service				1,491,392
Capital Projects				
Administration				4
Total Expenditures	<u>415,000</u>	<u>393,032</u>	<u>105</u>	<u>1,491,396</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(373,074)</u>	<u>(49,610)</u>	<u>16,021</u>	<u>(112,443)</u>
Other Financing Sources (Uses)				
Financing Agreement Proceeds				
Transfers from Other Funds			22,925	114,310
Transfers to Other Funds	(22,925)			
Total Other Financing Sources (Uses)	<u>(22,925)</u>		<u>22,925</u>	<u>114,310</u>
Net Change in Fund Balances	(395,999)	(49,610)	38,946	1,867
Fund Balances - Beginning (Restated)	923,372	1,057,550		319,553
Fund Balances - Ending	<u>\$ 527,373</u>	<u>\$ 1,007,940</u>	<u>\$ 38,946</u>	<u>\$ 321,420</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

	Health Insurance Fund	Total Governmental Funds
REVENUES		
Taxes	\$	\$ 3,655,315
In Lieu Tax Payments		152,478
Excess Fees		363,713
Licenses and Permits		76,097
Intergovernmental		8,191,417
Charges for Services		1,269,753
Miscellaneous	547,003	1,058,624
Interest	1,114	49,820
Total Revenues	<u>548,117</u>	<u>14,817,217</u>
EXPENDITURES		
General Government		2,016,969
Protection to Persons and Property		4,490,320
General Health and Sanitation		176,274
Social Services		67,777
Recreation and Culture		163,167
Roads		2,073,824
Airports		28,250
Debt Service		2,262,283
Capital Projects		1,363,458
Administration	1,081,188	2,575,182
Total Expenditures	<u>1,081,188</u>	<u>15,217,504</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(533,071)</u>	<u>(400,287)</u>
Other Financing Sources (Uses)		
Financing Agreement Proceeds		374,769
Transfers from Other Funds	818,529	1,689,764
Transfers to Other Funds		(1,689,764)
Total Other Financing Sources (Uses)	<u>818,529</u>	<u>374,769</u>
Net Change in Fund Balances	285,458	(25,518)
Fund Balances - Beginning (Restated)	225,387	4,463,959
Fund Balances - Ending	<u>\$ 510,845</u>	<u>\$ 4,438,441</u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

CHRISTIAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ (25,518)
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,272,362
Construction in Progress	367,345
Depreciation Expense	(1,071,297)
Gain on Capital Assets Traded	17
Book Value of Capital Assets Sold	(5,335)
Land Donated to Senior Citizens	(19,880)
Capital Assets Purchased by County Clerk	12,982
Notes Receivable Principal Received	(36,872)
Notes Receivable Principal Loaned	400,000
The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligation- Sheriff's Office	(374,769)
Financing Obligation Payments Made by Sheriff's Office	71,354
Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources.	
Bond Payments	795,000
Financing Obligations	<u>252,215</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,637,604</u></u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>Business-type Activity</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 122,918
Total Current Assets	<u>122,918</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	114,534
Less Accumulated depreciation	<u>(17,710)</u>
Total Noncurrent Assets	<u>96,824</u>
Total Assets	<u>219,742</u>
Net Assets	
Invested in Capital Assets	96,824
Unrestricted	<u>122,918</u>
Total Net Assets	<u><u>\$ 219,742</u></u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Business-type Activity</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 545,605
Total Operating Revenues	<u>545,605</u>
Operating Expenses	
Cost of Sales	432,430
Educational and Recreational	58,254
Depreciation	9,732
Miscellaneous	4,014
Total Operating Expenses	<u>504,430</u>
Operating Income	<u>41,175</u>
Nonoperating Revenues (Expenses)	
Interest Income	117
Inmate Pay From State	3,879
Inmate Refunds	<u>(3,879)</u>
Total Nonoperating Revenues (Expenses)	<u>117</u>
Change In Net Assets	41,292
Total Net Assets - Beginning (Restated)	<u>178,450</u>
Total Net Assets - Ending	<u><u>\$ 219,742</u></u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-type Activity
	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 545,605
Cost of Sales	(432,430)
Educational and Recreational	(58,254)
Miscellaneous	(4,014)
Net Cash Provided By Operating Activities	<u>50,907</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay From State	3,879
Inmate Refunds on Accounts	(3,879)
Net Cash Provided By Noncapital Financing Activities	<u>0</u>
Cash Flows From Capital and Related Financing Activities	
Capital Assets	(20,031)
Net Cash Used By Capital and Related Financing Activities	<u>(20,031)</u>
Cash Flows From Investment Activities	
Interest Earned	117
Net Cash Provided By Investment Activities	<u>117</u>
Net Increase in Cash and Cash Equivalents	30,993
Cash and Cash Equivalents - July 1, 2003	<u>91,925</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 122,918</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 41,175
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>9,732</u>
Net Cash Provided By Operating Activities	<u><u>\$ 50,907</u></u>

The accompanying notes are an integral part of the financial statements.

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CHRISTIAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CHRISTIAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Fund</u>
	Dog
	Warden
	Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 4,481
Total Assets	<u>4,481</u>
Liabilities	
Amounts Held In Custody For Others	<u>4,481</u>
Total Liabilities	<u>4,481</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Christian County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

Christian County Public Courthouse Corporation

The Christian County Fiscal Court appoints the Public Courthouse Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Courthouse Corporation. Financial information for the Public Courthouse Corporation is blended within Christian County's financial statements. All activities of the Public Courthouse Corporation are accounted for within a major (debt service) fund.

Christian County Industrial Authority

The Christian County Fiscal Court appoints the Industrial Authority's governing board and has the ability to impose its will on the governing board. Financial information for the Industrial Authority is blended within Christian County's financial statements. All activities of the Industrial Authority are accounted for within a major (special revenue) fund.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Christian County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Christian County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Local Government Economic Assistance Fund – The primary purpose of this fund is to account for coal and mineral tax revenues. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Revolving Loan Fund – The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Governor's Office for Local Development criteria for small business loans. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

E911 Fee Fund – The primary purpose of this fund is to account for 911 tax revenues and emergency services expenditures.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Industrial Authority Revolving Loan Fund – The purpose of this fund is to account the activities of the Christian County Industrial Authority, a blended component unit of the county. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Governor’s Office for Local Development approved an ordinance allowing this activity.

Public Courthouse Corporation Fund – The purpose of this fund is to account for the activities of the Public Courthouse Corporation, a blended component unit of the county. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation has entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the “AOC”), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years.

Health Insurance Fund – The purpose of this fund is to account for all health insurance costs and revenues. The fiscal court implemented a partially self-funded insurance plan that covers all employees. The county pays for each county employee’s individual coverage. However, employees are charged for family coverage.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Revolving Loan Fund, E-911 Fee Fund, Industrial Authority Revolving Loan Fund, and the Health Insurance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Public Courthouse Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Dog Warden Fund, is used to account for dog fees held by the dog warden, for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

GASB 34 allows the government to report part of the infrastructure assets at transition. The government has included infrastructure assets purchased this year, which includes bridges and roads. The county has four additional years to add infrastructure assets acquired between 1980 and 2001.

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

CHRISTIAN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2004
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Christian County Water District is considered a related organization of Christian County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Christian County Fiscal Court: Hopkinsville-Christian County Airport; Hopkinsville-Christian County Ambulance Service; Hopkinsville-Christian County Communication Center; Hopkinsville-Christian County Convention and Visitors Center; Hopkinsville-Christian County Economic Development Council; Hopkinsville-Christian County Public Library; Hopkinsville-Christian County Recreation Commission; Hopkinsville-Christian County Senior Citizens; and Hopkinsville-Christian County Planning Commission.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the fiscal court's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 3. Notes Receivable

- A. On March 13, 1995, Pennyrile Area Development District assigned a \$125,000 loan made to BRHVD Machine & Tool, Inc., to Christian County Fiscal Court. Terms of the agreement stipulate a 10-year repayment schedule at 5 percent interest. Records indicate BRHVD is 39 months delinquent with this note. As of June 30, 2004, principal balance due was \$40,882.
- B. The County loaned \$60,000 to BuyRite Parts on February 6, 1998, for the purpose of purchasing real estate and improvements. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that BuyRite Parts is in substantial compliance with this agreement. As of June 30, 2004, principal balance due was \$25,866.
- C. The County loaned \$100,000 to Ag Spray Equipment, Inc., on October 6, 1998, for the purpose of financing a building and real estate. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that Ag Spray Equipment, Inc., is in substantial compliance with this agreement. As of June 30, 2004, principal balance due was \$49,226.
- D. The County loaned \$100,000 to Paris Packaging on July 21, 2003, for the purpose of financing the acquisition of certain assets. Terms of the agreement stipulate a 5-year repayment schedule at 3.0 percent interest. Records indicate that Paris Packaging is in substantial compliance with this requirement. As of June 30, 2004, principal balance due was \$82,770.
- E. The County loaned \$300,000 to Commonwealth Agri Energy, LLC on April 20, 2004 for the purpose of constructing an Ethanol production facility. Terms of the agreement stipulate a 10-year repayment schedule at 3.0 percent interest. Records indicate that Commonwealth Agri Energy, LLC is in substantial compliance with this requirement. As of June 30, 2004, principal balance due was \$300,000.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Notes Receivable (Continued)

These receivables are due to the Industrial Authority Revolving Loan Fund. Notes receivable, as of year-end for the government's individual major funds and all other funds, in the aggregate, including the delinquent principal payments are as follows:

	<u>Amount</u>
Short Term	\$ 81,477
Long Term	<u>417,267</u>
Total Receivables	<u><u>\$ 498,744</u></u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Reporting Entity</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$	\$ 367,345	\$	\$ 367,345
Land	2,282,972		(19,880)	2,263,092
Total Capital Assets Not Being Depreciated	<u>2,282,972</u>	<u>367,345</u>	<u>(19,880)</u>	<u>2,630,437</u>
Capital Assets, Being Depreciated:				
Land Improvements	25,642	55,823		81,465
Buildings	29,457,130			29,457,130
Furniture and Office Equipment	619,907	12,982	(7,215)	625,674
Vehicles and Equipment	2,108,455	340,686	(390,193)	2,058,948
Infrastructure	2,962,051	1,147,453		4,109,504
Total Capital Assets Being Depreciated	35,173,185	1,556,944	(397,408)	36,332,721
Less Accumulated Depreciation For:				
Land Improvements	\$ (13,320)	\$ (608)	\$	\$ (13,928)
Buildings	(2,062,747)	(393,809)		(2,456,556)
Furniture and Office Equipment	(338,647)	(62,183)	4,296	(396,534)
Vehicles and Equipment	(1,009,782)	(224,294)	116,194	(1,117,882)
Infrastructure	(389,998)	(390,403)		(780,401)
Total Accumulated Depreciation	<u>(3,814,494)</u>	<u>(1,071,297)</u>	<u>120,490</u>	<u>(4,765,301)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,358,691</u>	<u>485,647</u>	<u>(276,918)</u>	<u>31,567,420</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 33,641,663</u></u>	<u><u>\$ 852,992</u></u>	<u><u>\$ (296,798)</u></u>	<u><u>\$ 34,197,857</u></u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2004 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 94,503	\$ 20,031	\$	\$ 114,534
Total Capital Assets Being Depreciated	94,503	20,031		114,534
Less Accumulated Depreciation For:				
Vehicles and Equipment	(7,978)	(9,732)		(17,710)
Total Accumulated Depreciation	(7,978)	(9,732)		(17,710)
Total Capital Assets, Being Depreciated, Net	86,525	10,299		96,824
Business-Type Activities Capital Assets, Net	\$ 86,525	\$ 10,299	\$ 0	\$ 96,824

Depreciation expense was charged to functions of the government as follows:

Governmental Activities:

General Government	\$ 375,994
Protection to Persons and Property	171,852
General Health and Sanitation	14,979
Social Services	22,075
Recreation and Culture	3,743
Roads, Including Depreciation of General Infrastructure Assets	<u>482,654</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,071,297</u>

Business-Type Activities

Jail Canteen Fund	<u>\$ 9,732</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 9,732</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt

A. General Obligation Bonds, Series 1998

The county issued general obligation bonds in the amount of \$4,705,000 on December 1, 1998. The proceeds of the bonds were used to expand, renovate, and improve the Christian County Detention Facility. The bonds bear interest between 3.5% and 4.2%. Payments are due on December 1st and June 1st of each year. The maturity date of the bonds is December 1, 2014. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The balance of the general obligation bonds as of June 30, 2004 was \$ 3,720,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 147,504	\$ 275,000
2006	136,304	285,000
2007	124,704	295,000
2008	112,604	310,000
2009	99,924	320,000
2010-2014	283,636	1,825,000
2015	8,610	410,000
Totals	<u>\$ 913,286</u>	<u>\$ 3,720,000</u>

B. Revenue Bonds, Series 2000

The Christian County Public Courthouse Corporation entered into a bond issue titled, Christian County Public Courthouse Corporation Lease Revenue Bonds (Courts Facility Project), Series 2000 bonds on November 1, 2000 for the purpose of financing the cost of the acquisition, construction, and equipping of the Justice Center, a court facility, and complete renovations of the Christian County Corrections Center. The issue amount of the bonds was \$18,565,000. The bonds bear interest between 5.1% and 5.25%.

The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. AOC assumed \$17,740,000 of the total debt of \$18,565,000. The Christian County Fiscal Court has agreed to pay part of the costs of this bond issue in the amount of \$825,000.

The balance of the revenue bonds as of June 30, 2004 was \$ 17,515,000. Annual debt service requirements to maturity for the general obligation bonds are as follows:

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

B. Revenue Bonds, Series 2000 (Continued)

Fiscal Year Ended June 30	Principal Payments	Scheduled Interest and Bank Charges	Total Payment	Less AOC Payment	Net Amount Due From County
2005	\$ 565,000	\$ 879,756	\$ 1,444,756	\$ 1,380,832	\$ 63,924
2006	590,000	850,882	1,440,882	1,378,207	62,675
2007	625,000	820,507	1,445,507	1,379,207	66,300
2008	655,000	788,507	1,443,507	1,378,707	64,800
2009	690,000	754,882	1,444,882	1,381,582	63,300
2010-2014	4,005,000	3,206,331	7,211,331	6,894,529	316,802
2015-2019	5,175,000	2,042,906	7,217,906	6,897,470	320,436
2020-2024	5,210,000	561,511	5,771,511	5,516,974	254,537
Totals	<u>\$ 17,515,000</u>	<u>\$ 9,905,282</u>	<u>\$ 27,420,282</u>	<u>\$ 26,207,508</u>	<u>\$ 1,212,774</u>

C. Jail Renovation

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. On June 18, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$4,081,000 at a 5.863% effective interest rate. The terms of the financing agreement was for 25 years. The maturity date of the financing obligation is February 1, 2017. The balance of the obligation at June 30, 2004 was \$2,858,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2005	\$ 163,767	\$ 156,000
2006	154,400	165,000
2007	144,505	174,000
2008	134,059	184,000
2009	123,025	194,000
2010-2014	427,565	1,140,000
2015-2019	80,208	845,000
Totals	<u>\$ 1,227,529</u>	<u>\$ 2,858,000</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

D. Hall of Justice

On August 1, 1984, the Christian County Public Courthouse Corporation entered into a 1st Mortgage Real Estate Note with BB&T (Formerly Planters Bank) for the Hall of Justice. The principal amount was \$250,000. The note bears interest at a fixed rate of 8%. The purpose of the note was to provide funds for financing the renovation and construction of a second circuit court room in the Hall of Justice Building. The termination date of the note is August 1, 2004. The balance of the note at June 30, 2004 was \$6,109. Debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 151	\$ 6,109

E. Sheriff's Office Renovation

On August 15, 2003, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$374,769 at a 2.245% effective interest rate. The financing obligation is for the renovation of the Sheriff's office. The maturity date of the obligation is September 20, 2023. The balance of the obligation at June 30, 2004 was \$364,406. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 10,828	\$ 14,186
2006	10,410	14,620
2007	9,961	15,066
2008	9,513	15,527
2009	9,006	16,001
2010-2014	37,425	87,642
2015-2019	23,117	101,871
2020-2024	6,674	99,493
Totals	\$ 116,934	\$ 364,406

F. Sheriff's Vehicles-2001

On July 24, 2001, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of a vehicle for the Sheriff's office. The lease term is for four years, with the balance to be paid in full on July 24, 2004. The balance of the lease at June 30, 2004 was \$16,973. Debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 68	\$ 16,973

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

G. Police Vehicle-2001

On July 24, 2001, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of vehicles for the county police office. The lease term was for three years, with the balance to be paid in full on July 24, 2004. The balance of the lease at June 30, 2004 was \$22,630. Debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 91	\$ 22,630

H. Jail Vehicles-2002

On April 9, 2002, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of vehicles for the county jail. The lease term was for three years, with the balance to be paid in full on April 9, 2005. The balance of the lease at June 30, 2004 was \$10,515. Debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 426	\$ 10,515

I. Police Vehicles-2002

On July 23, 2002, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of vehicles for the county police office. The lease term was for three years, with the balance to be paid in full on July 23, 2005. The balance of the lease at June 30, 2004 was \$10,387. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 526	\$ 5,065
2006	270	5,322
Totals	\$ 796	\$ 10,387

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

J. Jail Vehicles-2003

On February 25, 2003, the fiscal court entered into a lease-purchase agreement with Farmer's Bank and Capital Trust for the purchase of vehicles for the county jail. The lease term was for three years, with the balance to be paid in full on February 25, 2006. The balance of the lease at June 30, 2004 was \$22,057. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 1,117	\$ 10,756
2006	572	11,301
Totals	<u>\$ 1,689</u>	<u>\$ 22,057</u>

K. Sheriff's Vehicles-2003

On June 18, 2003, the fiscal court entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of vehicles for the county sheriff's office. The lease term was for three years, with the balance to be paid in full on January 20, 2006. The balance of the lease at June 30, 2004 was \$22,839. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 682	11,254
2006	352	11,585
Totals	<u>\$ 1,034</u>	<u>\$ 22,839</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

L. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,980,000	\$	\$ 260,000	\$ 3,720,000	\$ 275,000
Lease Revenue Bonds	18,050,000		535,000	17,515,000	565,000
<u>Financing Obligations:</u>					
Kentucky Association Of Counties Leasing Trust Program	3,050,368	374,769	179,892	3,245,245	181,440
Farmers Bank and Capital Trust	179,034		96,472	82,562	65,939
Planters Bank and Trust	29,618		23,509	6,109	6,109
Branch Bank and Trust	23,696		23,696		
Governmental Activities Long-term Liabilities	<u>\$ 25,312,716</u>	<u>\$ 374,769</u>	<u>\$ 1,118,569</u>	<u>\$ 24,568,916</u>	<u>\$ 1,093,488</u>

Note 6. Short-term Debt

In July 2003, Christian County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$5,483,700, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$1,592.

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advance Revenue Program	\$ 0	\$ 5,483,700	\$ 5,483,700	\$ 0
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 5,483,700</u>	<u>\$ 5,483,700</u>	<u>\$ 0</u>

Note 7. Interest On Long-term Debt

Interest On Long-term Debt on the Statement of Activities includes \$196,255 in interest on financing obligations and \$1,065,460 in interest on bonds and notes.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at 502-573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2004, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 11. Health Insurance

The Christian County Fiscal Court elected to begin a partially self-funded health insurance plan in 1998. This partially self-funded insurance plan covers all employees. The county pays for each county employee's individual coverage. The county contracted with North American Administrators to administer the employee benefit plan.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Fixed costs for the fiscal year ended June 30, 2004 were \$377,447. The second component is the claims cost. Christian County is responsible for all claims as they incur. Once an individual exceeds \$30,000 in claims or the county's aggregate claims exceed the predetermined maximum, then the county will receive reimbursements from the carrier. Claims for the fiscal year ended June 30, 2004 were \$678,981 and reimbursements were \$31,366. Christian County Fiscal Court's contract with North American Administrators has no terminal liability provision. The county would be responsible for all run-out claims after termination. The Health Insurance Fund had a balance of \$510,845 as of June 30, 2004.

Note 12. Related Party Transactions

The Christian County Fiscal Court entered into transactions with Mobile Home City and Skyline Housing for the placement and removal of voting machines. Magistrate James Fleming is part owner of both businesses. Mobile Home City was paid \$376 and Skyline Housing was paid \$380.

Note 13. Subsequent Events

- A. On March 11, 2005, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$40,070 at a 2.175% effective interest rate. The lease is for the purchase of two vehicles for the jail. The maturity date of the lease is March 20, 2009.
- B. On April 29, 2005, the fiscal court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$176,236 at a 4.25% effective interest rate. The lease is for the purchase of nine vehicles for the sheriff. The maturity date of the lease is July 20, 2009.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 14. Prior Year Net Asset Ending Balances Restated

The prior year net asset ending balances have been restated for the following:

	Governmental Activities	Business- Type Activities
June 30, 2003, Net Assets	\$ 12,531,963	\$ 560,725
Jail Commissary Assets reported as Jail Fund Assets in prior years	(94,503)	94,503
Jail Commissary Assets' Depreciation reported as Governmental Activities Depreciation in the prior years	7,978	(7,978)
Public Courthouse Corporation included as business-type activities in prior years:		
Cash balance as of June 30, 2003	319,553	(319,553)
Land	1,746,166	(1,746,166)
Buildings	17,153,853	(17,153,853)
Accumulated Depreciation	(647,765)	647,765
Debt associated with Public Courthouse Corporation	(18,103,007)	18,103,007
Jail Fund Account omitted in prior years	21,200	
Correction of prior year financing obligations- ending balance-Public Courthouse	(308)	
Donated Vehicle included in prior years capital assets	(23,500)	
Decrease Accumulated Depreciation-		
Infrastructure	5,716	
Buildings	646	
Furniture and Office Equipment	3,610	
Donated Asset	9,180	
Increase Accumulated Depreciation - Vehicles and Equipment	(2,260)	
Restated Net Asset Balances as of June 30, 2003	<u>\$ 12,928,522</u>	<u>\$ 178,450</u>

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CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2004

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,046,500	\$ 3,046,500	\$ 3,323,178	\$ 276,678
In Lieu Tax Payments	123,582	123,582	152,478	28,896
Excess Fees	439,000	439,000	363,713	(75,287)
Licenses and Permits	66,300	66,300	76,097	9,797
Intergovernmental Revenue	4,663,032	4,663,032	1,253,165	(3,409,867)
Charges for Services	192,200	192,200	206,701	14,501
Miscellaneous	121,900	121,900	219,533	97,633
Interest	59,000	59,000	19,809	(39,191)
Total Revenues	8,711,514	8,711,514	5,614,674	(3,096,840)
EXPENDITURES				
General Government	2,023,218	1,643,874	1,594,739	49,135
Protection to Persons and Property	643,613	594,596	594,596	
General Health and Sanitation	282,715	176,274	176,274	
Social Services	81,765	67,777	67,777	
Recreation and Culture	186,400	163,167	163,167	
Airports	29,000	28,250	28,250	
Debt Service		19,272	19,272	
Capital Projects	3,852,225	795,998	795,998	
Administration	1,218,522	4,828,250	1,011,244	3,817,006
Total Expenditures	8,317,458	8,317,458	4,451,317	3,866,141
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	394,056	394,056	1,163,357	769,301
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(1,903,902)	(1,903,902)	(1,027,034)	876,868
Total Other Financing Sources (Uses)	(1,903,902)	(1,903,902)	(1,027,034)	876,868
Net Changes in Fund Balances	(1,509,846)	(1,509,846)	136,323	1,646,169
Fund Balances - Beginning	1,509,846	1,509,846	1,599,266	89,420
Fund Balances - Ending	\$	\$	\$ 1,735,589	\$ 1,735,589

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

**Expenditures, and Changes In Fund Balances - Governmental
Funds Modified Cash Basis**

Total Revenues per Budgetary Statement	\$ 5,614,674	
Interest Earned on Sheriff's Office Renovation	<u>655</u>	\$ 5,615,329
Total Expenditures per Budgetary Statement	\$ 4,451,317	
Expenses Paid for Sheriff's Office Renovation	<u>367,345</u>	<u>4,818,662</u>
Excess (Deficiency) of Revenues Over Expenditures		
Before Other Financing Sources (Uses)		796,667
Budgetary Statement Transfer to Other Funds		(1,027,034)
Financing Agreement Proceeds		374,769
Beginning Fund Balance per Budgetary Statement		<u>1,599,266</u>
Ending Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 1,743,668</u></u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,603,228	\$ 1,603,228	\$ 1,946,378	\$ 343,150
Miscellaneous	9,100	9,100	31,281	22,181
Interest	1,500	1,500	1,869	369
Total Revenues	1,613,828	1,613,828	1,979,528	365,700
EXPENDITURES				
Roads	2,267,612	1,846,047	1,846,047	
Capital Projects	300,000	200,115	200,115	
Administration	148,037	669,487	114,289	555,198
Total Expenditures	2,715,649	2,715,649	2,160,451	555,198
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,101,821)	(1,101,821)	(180,923)	920,898
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	1,234,910	1,234,910	308,000	(926,910)
Transfers to Other Funds	(143,089)	(143,089)	(128,686)	14,403
Total Other Financing Sources (Uses)	1,091,821	1,091,821	179,314	(912,507)
Net Changes in Fund Balances	(10,000)	(10,000)	(1,609)	8,391
Fund Balances - Beginning	10,000	10,000	12,705	2,705
Fund Balances - Ending	\$	\$	\$ 11,096	\$ 11,096

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,586,551	\$ 3,586,551	\$ 3,360,602	\$ (225,949)
Charges for Services	794,180	794,180	1,063,052	268,872
Miscellaneous	267,600	267,600	214,593	(53,007)
Interest	1,200	1,200	1,186	(14)
Total Revenues	4,649,531	4,649,531	4,639,433	(10,098)
EXPENDITURES				
Protection to Persons and Property	3,698,710	3,502,692	3,502,692	
Debt Service	805,477	816,793	751,619	65,174
Administration	423,180	607,882	368,457	239,425
Total Expenditures	4,927,367	4,927,367	4,622,768	304,599
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(277,836)	(277,836)	16,665	294,501
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(430,417)	(430,417)	(511,119)	(80,702)
Transfers from Other Funds	426,000	426,000	426,000	
Total Other Financing Sources (Uses)	(4,417)	(4,417)	(85,119)	(80,702)
Net Changes in Fund Balances	(282,253)	(282,253)	(68,454)	213,799
Fund Balances - Beginning	282,253	282,253	282,236	(17)
Fund Balances - Ending	\$	\$	\$ 213,782	\$ 213,782

**Reconciliation of Budgetary Statement To Statement of Revenues,
Expenditures, and Changes In Fund Balances - Governmental
Funds Modified Cash Basis**

Total Revenues per Budgetary Statement	\$ 4,639,433	
Interest Earned on 98 Bond Account	12	\$ 4,639,445
Total Expenditures per Budgetary Statement		4,622,768
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		16,677
Budgetary Statement Transfer to Other Funds		(511,119)
Budgetary Statement Transfer from Other Funds		426,000
Beginning Fund Balance per Budgetary Statement	\$ 282,236	
Beginning Fund Balance per 1998 Bond Account Statement	21,200	303,436
Ending Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 234,994

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 624,000	\$ 624,000	\$ 254,241	\$ (369,759)
Interest	225	225	130	(95)
Total Revenues	624,225	624,225	254,371	(369,854)
EXPENDITURES				
General Government	182,000	182,000	7,125	174,875
Roads	464,225	464,225	227,777	236,448
Total Expenditures	646,225	646,225	234,902	411,323
Net Changes in Fund Balances	(22,000)	(22,000)	19,469	41,469
Fund Balances - Beginning	22,000	22,000	22,690	690
Fund Balances - Ending	\$ 0	\$ 0	\$ 42,159	\$ 42,159

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

REVOLVING LOAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 19,696	\$ 19,696	\$ 30,094	10,398
Interest	13,293	13,293	11,832	(1,461)
Total Revenues	32,989	32,989	41,926	8,937
EXPENDITURES				
General Government	907,989	907,989	415,000	492,989
Total Expenditures	907,989	907,989	415,000	492,989
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(875,000)	(875,000)	(373,074)	501,926
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds			(22,925)	(22,925)
Total Other Financing Sources (Uses)			(22,925)	(22,925)
Net Changes in Fund Balances	(875,000)	(875,000)	(395,999)	479,001
Fund Balances - Beginning	875,000	875,000	923,372	48,372
Fund Balances - Ending	\$	\$	\$ 527,373	\$ 527,373

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

E-911 FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 330,000	\$ 330,000	\$ 332,137	\$ 2,137
Miscellaneous	100	100		(100)
Interest	15,450	15,450	11,285	(4,165)
Total Revenues	345,550	345,550	343,422	(2,128)
EXPENDITURES				
Protection to Persons and Property	475,505	393,032	393,032	
Administration	10,000	92,473		92,473
Total Expenditures	485,505	485,505	393,032	92,473
Net Changes in Fund Balances	(139,955)	(139,955)	(49,610)	90,345
Fund Balances - Beginning	139,955	139,955	1,057,550	917,595
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,007,940	\$ 1,007,940

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

HEALTH INSURANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 396,824	\$ 396,824	\$ 547,003	\$ 150,179
Interest	1,000	1,000	1,114	114
Total Revenues	397,824	397,824	548,117	150,293
EXPENDITURES				
Administration	1,599,322	1,599,322	1,081,188	518,134
Total Expenditures	1,599,322	1,599,322	1,081,188	518,134
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,201,498)	(1,201,498)	(533,071)	668,427
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	816,498	816,498	818,529	2,031
Total Other Financing Sources (Uses)	816,498	816,498	818,529	2,031
Net Changes in Fund Balances	(385,000)	(385,000)	285,458	670,458
Fund Balances - Beginning	385,000	385,000	225,387	(159,613)
Fund Balances - Ending	\$ 0	\$ 0	\$ 510,845	\$ 510,845

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the governmental activities, the business-type activities, and each major fund of Christian County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 26, 2005. Christian County's financial statements are prepared in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Christian County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 26, 2005

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CHRISTIAN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2004

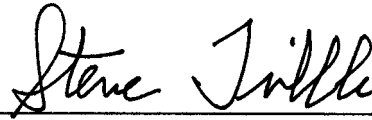
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CHRISTIAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer